No. 367

FILED
SEP 23 1953
HAROLD B. WILLEY, Clerk

Supreme Court of the United States

OCTOBER TERM, 1953

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT.

LEO T. KISSAM,
Attorney for Petitioners.

Of Counsel:
LEO T. KISSAM,
ERIC NIGHTINGALE,
MARTIN M. BAXTER.

Pandick Press, Inc., 22 Thames St., New York 6, N. Y., U. S. A.

INDEX.

	PAGE
PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT	1
OPINIONS BELOW	1
JURISDICTION	1
QUESTIONS PRESENTED	2
STATUTES INVOLVED	3
STATEMENT	3
SPECIFICATION OF ERRORS TO BE URGED	6
REASONS FOR GRANTING THE WRIT:	
(1) The decision as to which review is sought is in direct conflict with the decisions of the Court of Appeals for the Ninth Circuit on the same questions of Federal Law	7
(2) The Court of Appeals erroneously decided a question of federal law in reversing the District Court by holding that petitioners' claim of infringement was too "unsubstantial" to support the dependent jurisdiction over the claim for "unfair competition"	12
CONCLUSION	16
APPENDIX	17

Table of Cases.

	PAGE
Houston, East and West Texas Railway Co. v. *United States; Texas and Pacific Railway Co.* v. *United States*, 234 U. S. 342, 34 S. Ct. 833, 58 L. Ed. 1341 (1914)	10
Hyde Park Clothes, Inc. v. *Hyde Park Fashions, Inc.*, 204 F. 2d 223 (2nd Cir., 1953)	11, 12
In Re Lyndale Farm, 186 F. 2d 723 (C. C. P. A., 1951)	8
Pagliero v. *Wallace China Co.*, 198 F. 2d 339 (9th Cir., 1952)	7, 8, 11
Stauffer v. *Exley*, 184 F. 2d 962 (9th Cir., 1950)	7, 8, 9
Steele et al. v. *Bulova Watch Co., Inc.*, 344 U. S. 380, 73 S. Ct. 252, 97 L. Ed. 192 (1952)	8, 9
Wickard v. *Filburn*, 317 U. S. 111, 63 S. Ct. 82, 87 L. Ed. 122	10

Statutes.

Lanham Trade-Mark Act, Act of July 5, 1946: 60 Stat. 427, Incorporated in 15 U. S. C. §§1051-1127	2, 3, 14, 15
15 U. S. C. §1114(1)(a)	13
15 U. S. C. §1114(1)(b)	7, 13
15 U. S. C. §1122	1
15 U. S. C. §1126	7, 8, 13
15 U. S. C. §§1126(b), 1126(h) and 1126(i)	7, 11, 15
28 U. S. C. §1254(1)	1
28 U. S. C. §1338	3
28 U. S. C. §1338(b)	2

Supreme Court of the United States

OCTOBER TERM, 1953

THE AMERICAN AUTOMOBILE ASSOCIATION (Incorporated) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT.

Petitioners pray that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit entered in the above cause on June 25, 1953.

Opinions Below.

The opinion of the District Court (290-321)* is reported at 101 F. Supp. 185 and the opinion of the Court of Appeals (pp. 186-193) is No. 242, 2nd Cir., June 25, 1953.

Jurisdiction.

The judgment of the Court of Appeals was entered on June 25, 1953 (p. 194). The jurisdiction of this Court is invoked under 28 U. S. C. § 1254 (1) and 15 U. S. C. § 1122.

---

* All references, unless otherwise noted, are to the appendices to the briefs in the Court of Appeals and to the folios of such appendices.

Questions Presented.

The questions presented are:

1. Whether The Lanham Trade-Mark Act, Act of July 5, 1946, 60 Stat. 427, Incorporated in 15 U. S. C. §§ 1051-1127, gives general jurisdiction to the federal district courts over actions for unfair competition.

2. Whether a counterfeit or colorable imitation of the registered mark of another applied to a sign used in connection with the sale in commerce of goods or services renders the unauthorized user liable to a civil action and injunction under The Lanham Trade-Mark Act, even though such use is not likely to cause confusion or mistake or to deceive purchasers as to the origin of such goods or services.

3. Whether the confusing and deceiving use of a counterfeit or colorable imitation of a registered mark of another applied to a sign in connection with the sale of goods or services gives rise to a "substantial" claim under the trade-mark laws within 28 U. S. C. § 1338(b) even though such confusion or deception does not relate to the *origin* of the goods or services.

4. Whether a citizen is entitled to effective protection, as is provided to certain foreign nationals by The Lanham Trade-Mark Act and by certain treaties, to repress unfair competition affecting the citizen's commerce among the several states.

5. Whether the Court of Appeals improperly decided a question of federal law in holding that The Lanham Trade-Mark Act does not grant federal jurisdiction over all

claims, by those engaged in interstate commerce, for unfair competition even though the offending acts are not themselves in interstate commerce.

Statutes Involved.

The Lanham Trade-Mark Act, Act of July 5, 1946, 60 Stat. 427, Incorporated in 15 U. S. C. §§ 1051-1127; and 28 U. S. C. § 1338. The pertinent statutory provisions are reprinted in the Appendix.

Statement.

1. Petitioners brought suit under the trade-mark laws of the United States to enjoin respondent from infringing the registered trade-mark of the petitioner, The American Automobile Association (Incorporated), (hereinafter called the "Association"), such trade-mark consisting of the letters "AAA" enclosed in an oval, and to restrain respondent from engaging in unfair competition with the Association and the petitioner, Automobile Club of New York, Inc. (hereinafter called the "Club").

2. The respondent's answer constituted, in effect, a general denial. It asserted the defense of unclean hands alleging that the petitioners violate the Administrative Code of the City of New York in displaying their trade-mark and that the plaintiffs use the said trade-mark as a means of unlawfully restraining trade and creating a monopoly. The Court of Appeals did not pass upon these defenses.

3. Subsequent to respondent's serving his answer and after various depositions were taken by both petitioners

and respondent, petitioners moved for summary judgment which was granted.

4. In granting the motion the District Court found that respondent did not deny using and displaying the "AAA" which pertains to petitioners; that respondent's purpose in so using the "AAA" was "too flagrant to admit of discussion" and that the affirmative defenses were without merit.

5. Respondent appealed from the summary judgment and the United States Court of Appeals for the Second Circuit reversed the District Court and remanded the cause for trial. It held that infringement of the registered mark had not been sufficiently developed by the proof and that, absent such proof, the District Court lacked jurisdiction over the cause of action for unfair competition. Its determination is in direct conflict with that of the Court of Appeals for the Ninth Circuit.

6. The Association is a non-profit corporation organized under the laws of the State of Connecticut (8, 146, 188; 373). The Club is a membership corporation organized under the laws of the State of New York (9, 264). The purposes of the petitioners include the creation and maintenance of favorable motoring conditions, and, in promoting such conditions, the advocacy of legislation and the education of motorists and the public at large in traffic safety (10-13, 146-147, 292; 373). The Association, at the commencement of this action, had a membership of over 2,700,000 motorists in all states of the United States (10, 31, 292-293), and the Club a membership in excess of 210,000 motorists (13, 31, 292-293).

7. The trade-mark of the Association comprises the letters "AAA" enclosed in an oval. It has been registered

with the United States Patent Office as applied to goods in a variety of classes (15-17, 151; 370-372; 499-501).

8. The Club is an organization affiliated with the Association (148; 373; 456-459). Subject to the control and regulation of the Association, the Club has the exclusive right to use the Association's trade-mark in the territory in which it is authorized to operate (13, 148-150, 156-158). This territory includes Kings County where respondent's filling station is located (9, 13).

9. The Association, through the Club and other related companies, grants to certain establishments rendering services to motorists, including filling stations, the right to display the "AAA" emblem. Such display is subject to regulations adopted by the Board of Directors of the Association (364-369; 469-470; 502-513). In granting affiliation the Club requires the filing of an application giving data concerning the management and character of the station. The Club considers the physical condition of the station, the financial responsibility of the owner, and the need for such station to serve members of the Club (158-161; 233-240). The Club and the affiliated station execute a written contract providing for the display of the official "AAA" emblem furnished to the station by the Club. Either party has the right to cancel upon seven days notice, in which case the station is required to return the official emblem to the Club (161-2, 164; 374-387; 514-525, 526-531).

10. The Club supervises and controls the nature and quality of the services rendered by affiliated stations; regular inspections of the stations are made by Club representatives, complaints of members are investigated, and corrective action is taken when necessary (162-3).

11. The respondent's activities are thus described by him in his brief in the Court below, the argumentative material being omitted:

> "Appellant, the owner of a small gasoline station in Brooklyn displayed an oil-cloth sign suggesting the familiar 'AAA' insignia. Appellant had first applied for affiliation with appellees, but was * * * refused admission without * * * being told why he was rejected. Appellant then erected his sign in July 1949 * * * to meet the * * * competition of stations affiliated with the Club, which displayed the official 'AAA—Savings Plan' emblem * * *"

12. Respondent has admitted that he caused to be painted and displayed at his place of business the sign in question (403-404) and that his use of the letters "AAA" within an oval was intended to suggest the official emblem of the Association and to induce motorists to believe that his station was in some way related to the Association and the Club due to the fact that the petitioners' members would be familiar with the "AAA" emblem (182-183).

Specification of Errors to be Urged.

The Court of Appeals erred:

1. In holding that infringement of a trade-mark under The Lanham Trade-Mark Act requires that a mark be used so as to cause confusion or mistake or to deceive purchasers as to the source of origin of goods or services.

2. In holding that the confusing and deceiving use of a counterfeit or colorable imitation of a registered mark as a sign in connection with the sale of goods or services is not a substantial violation under The Trade-Mark Act of 1946.

3. In not holding that 15 U. S. C. § 1114 (1) (b) was applicable to sustain the judgment of the District Court.

4. In ignoring the "intent" of the Act as expressed at 15 U. S. C. § 1126, and in holding that there was no jurisdiction because defendant's business was altogether intrastate.

5. In holding that 15 U. S. C. §§ 1126 (b), 1126 (h) and 1126 (i) do not give jurisdiction to the District Court over an action brought by a plaintiff with whose interstate commerce a defendant has unfairly competed.

6. In reversing the District Court's judgment of infringement.

Reasons for Granting Writ.

(1) The decision as to which review is sought is in direct conflict with the decisions of the Court of Appeals for the Ninth Circuit on the same questions of federal law.

The opinion of the Court of Appeals held that The Lanham Act does not give jurisdiction to the district courts over a claim brought by a plaintiff with whose interstate commerce the defendant has unfairly competed unless such claim be joined with a substantial claim under the trademark laws and related to the claim of unfair competition. This holding is in conflict with and contrary to the decision of the Court of Appeals for the Ninth Circuit in *Stauffer* v. *Exley*, 184 F. 2d 962 (9th Cir., 1950). In that case it was held that a California corporation's unregistered trade name used in interstate commerce could be protected in a federal district court in an unfair competition suit against a California infringer. The holding below also conflicts with *Pagliero* v. *Wallace China Co.*, 198 F. 2d 339 (9th Cir., 1952), in which the Court held that The Lanham Act gives

to the federal courts jurisdiction over all claims for unfair competition by those engaged in interstate commerce, even though the violations are not themselves in interstate commerce.

The Court of Appeals below in reaching its decision examined the section of The Lanham Act set forth in 15 U. S. C. § 1126 in the light of the *Stauffer* and *Pagliero* cases, *supra,* and expressly rejected the rule laid down by the Court of Appeals for the Ninth Circuit. Thus, The Lanham Act, enacted to create uniform rights throughout the United States, has been divergently interpreted. To effectuate the Congressional intent this conflict of opinions should be resolved.

The decision of the Court of Appeals below is also in conflict with the dictum of the Court of Customs and Patent Appeals in *In Re Lyndale Farm,* 186 F. 2d 723 (C. C. P. A., 1951). After discussing the provisions of Section 1126 of Title 15 U. S. C., the Court stated at page 726:

> "Thus it is that a federal cause of action exists in behalf of a United States citizen or resident whose *trade name* is unfairly used in a manner affecting commerce whereby the remedies of the Lanham Act provided for the infringement of registered marks are made available in repressing such acts of unfair competition affecting unregistered trade names."

This Court has not passed on this particular point of federal law. However, in *Steele et al.* v. *Bulova Watch Co., Inc.,* 344 U. S. 380, 73 S. Ct. 252, 97 L. Ed. 192 (1952), it emphasized "the broad jurisdictional grant in the Lanham Act." It adverted to "that Act's sweeping reach into 'all commerce which may lawfully be regulated by Congress' " and reiterated that the Act "confers broad

jurisdictional powers upon the courts of the United States." Not only should this Court nullify a decision which does violence to the philosophy of the Act but it is respectfully submitted that it should minimize the complexity and put an end to the controversiality which conflicting decisions have engendered and to which it referred at pages 282 and 283 of the *Bulova Watch* case when it said:

> "Resolution of the jurisdictional issue in this case therefore depends on construction of exercised congressional power, not the limitations upon that power itself. And since we do not pass on the merits of Bulova's claim, we need not now explore every facet of this complex and controversial Act."

In a footnote to the word "complex", this Court cited, among others, the case of *Stauffer* v. *Exley*, 184 F. 2d 962 (9th Cir., 1950), which is directly contrary to the decision of the Court of Appeals below.

In the latter case the Court of Appeals for the Ninth Circuit in interpreting the effect of Section 1126 of the Act, stated at pages 965 and 966:

> "The protection granted by the Lanham Act against unfair competition, however, is limited by §1126(h) of the Act to 'the remedies provided in this chapter for infringement of marks * * * so far as they may be appropriate in repressing acts of unfair competition'. The general provision for remedies against trade-mark infringement is §1114(1), which provides: 'Any person who shall, *in commerce*, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source and origin of such goods or services * * *, shall be

liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter * * *.' Section 1127 provides: 'In the construction of this chapter, unless the contrary is plainly apparent from the context—* * *

"'The word "commerce" means all commerce which may lawfully be regulated by Congress.'

* * *

"The protection given by the Act against unfair competition is similarly limited to that which may be lawfully regulated by Congress. The remedies available under §1114 would not be 'appropriate' under §1126(h) for the repression of unfair competition unless the defendant in the unfair competition action met the §1114 requirement of acting 'in commerce'. In the event §1126(h) were not subject to the limitation contained in §1114 that the defendant must have acted 'in commerce,' §1126(h) would be subject to a claimed invalidity because it in whole or in part provided a remedy for acts beyond congressional power to regulate. In re Trade-Mark Cases, 1879, 100 U. S. 82, 25 L. Ed. 550. We think that by including the phrase 'in commerce', Congress meant to confine the remedies provided against unfair competition to the area of its constitutional competence."

The Court pointed out that an infringement committed in intrastate commerce but affecting interstate commerce could clearly be regulated by Congress and thus would be within the present Act, citing *Houston, East and West Texas Railway Co.* v. *United States; Texas and Pacific Railway Co.* v. *United States,* 234 U. S. 342, 34 S. Ct. 833, 58 L. Ed. 1341 (1914), and *Wickard* v. *Filburn,* 317 U. S. 111, 63 S. Ct. 82, 87 L. Ed. 122 (1942). In the latter case this Court at page 122 stated:

"It was soon demonstrated that the effects of many kinds of intrastate activity upon interstate

commerce were such as to make them a proper subject of federal regulation."

In *Pagliero* v. *Wallace China Co.*, 198 F. 2d 339 (9th Cir., 1952), the Court of Appeals for the Ninth Circuit in interpreting the very same subdivisions of Section 1126 of the Lanham Act as did the Court of Appeals below, stated at page 341:

> "There is, however, an independent ground for federal jurisdiction in a case such as this involving, as it does, a 'naked' claim of unfair competition. In *Stauffer* v. *Exley*, 9 Cir., 184 F. 2d 962, we held that where there is present the requisite effect on interstate commerce, the Lanham Act created substantive rights and remedies available to United States citizens and neither diversity of citizenship nor jurisdictional amount need be present. 15 U. S. C. A. Sec. 1121. The scope of the rights created by the Lanham Act, 15 U. S. C. A. §§ 1125, 1126(b), 1126(g), 1126(h), 1126(i), has not as yet been subjected to full judicial scrutiny; but the test in this situation is no different from that of other tests for federal jurisdiction. If the complaint raises a substantial claim of federal right under the Lanham Act the District Courts have jurisdiction of the case notwithstanding it may ultimately be found that the alleged right was not created by the Act. *Bell* v. *Hood*, 327 U. S. 678, 66 S. Ct. 773, 90 L. Ed. 939."

At the time of the above decision, July 1, 1952, the Court stated that subdivisions (b), (g), (h) and (i) of Sec. 1126 had "not as yet been subjected to full judicial scrutiny", and the situation remains the same today.

It must be noted that not only is there a conflict between the Courts of Appeals for the Second and Ninth Circuits but, as Judge Clark, in his recent dissenting opinion in *Hyde Park Clothes, Inc.* v. *Hyde Park Fashions, Inc.*, 204

F. 2d 223 (2nd Cir., 1953), indicated there is a difference among the judges themselves in the Second Circuit. Thus the outcome of an appeal may depend upon the assignment of judges to the panel. At page 226 Judge Clark said:

> "Plaintiff-appellant has had the misfortune—so it seems to me—to come before a panel of this court allergic to the doctrine historically associated with us because of its nurture by our most illustrious judges of protecting trade names against competition which will create confusion as to the source of goods sold under such names. The chance of the assignment calendar which has so operated against plaintiff might as easily have brought it success, to judge by the three most recent cases on this issue before us, the unanimous decision in each instance—two in fact reversing decisions below—of another panel."

This conflict of decisions between the Second and Ninth Circuits, not to mention within the Second Circuit itself, in construing the same statute, involves questions of national importance far exceeding the interests of the immediate litigants and should be resolved by this Court.

(2) The Court of Appeals erroneously decided a question of federal law in reversing the District Court by holding that petitioners' claim of infringement was too "unsubstantial" to support the dependent jurisdiction over the claim for "unfair competition".

In the present case, the respondent has admitted that he adopted the "AAA" emblem to attract the trade of "AAA" members:

> "Q. What was your purpose in putting up this sign * * * relating to the AAA? A. I lost some customers because I couldn't get the AAA and they became AAA members and they felt that they are

> getting a two-cent discount and they didn't come in to me. I stopped them and asked them, 'Why don't you come in to me?' and the answer was, 'Well, you are not AAA' " (175).

In this case there is no doubt as to the possibility of confusion or as to the intention to create it since the respondent has admitted his purpose to attract petitioners' members. He has copied the very letters of petitioners' mark and displays them in a format almost identical to that long used by the petitioner. When he identified photographs of his service station showing the signs in question (396-397), the respondent testified that he had known of the American Automobile Association for a good many years and knew its emblem, as shown in the official United States Patent Office extract (398-402). He then proceeded to admit that his use of the letters "AAA" within an oval was intended to suggest the emblem of the Association in order that motorists would get the impression that his station was in some way affiliated with the petitioners (181-183).

In the face of such evidence the Court below determined that no "substantial" claim of trade-mark infringement had been established. In reaching this conclusion the Court relied on its determination that there could be no real confusion as to the source of origin of goods or services of the respondent and therefore no substantial claim had been made out. In effect the Court relied solely on the restricted and antiquated "palming-off" doctrine. The Court excluded from consideration Section 1114(1)(b). It declared: "If the judgment is to stand, it must rest in some other section of the Act than §1114(1)(a)" and proceeded to consider §1126 completely ignoring Subsection (b) which omits the words found in Subsection (a) referring to confusion as to the source of origin, i. e., "palming-off".

Such section, which is quoted in full in the appendix hereto, reads in part:

> "(b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter * * *."

Not only has the Court below failed to give full effect to the statute but, by making jurisdiction over unfair competition claims depend upon the showing of such a "substantial" claim of infringement, it has ignored the intent of Congress to expand the rights in registered trademarks and to broaden their protection. Congress wrote into the act the following:

> "The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commence[2] from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations. July 5, 1946, c. 541, Title X, 45, 60 Stat. 443." (15 U. S. C. A. § 1127)

"[2] So in original. Probably should read 'commerce'."—Footnote in U. S. C. A.

As stated by Daphne Robert, author of "The New Trade-Mark Manual," and now Assistant Commissioner of Patents in the "Commentary on The Lanham Trade-Mark Act," pages 265-288 of 15 U. S. C. A., at page 284:

> "It will be noted from this statement of intent that Congress intended to occupy the entire field with respect to marks used in commerce, as well as to provide remedies against unfair competition, irrespective of whether a registered mark is involved or not. Deceptive and misleading uses of marks in commerce are actionable, and persons engaged in commerce are protected under the Act from unfair competition; and the remedies provided for infringement are made available to obtain such protection. This, perhaps, is the most far-reaching change in remedial advantages which are available under the new Act."

The erroneously narrow interpretation of the act followed by the Court below would also have an adverse effect upon the power of the United States to fulfill its treaty commitments inasmuch as the Court below would deny that Congress had provided by statute for uniform protection to citizens and to foreign nationals under international conventions against unfair competition. The lower Court's decision would deprive of meaning Subsections 1126(h) and (i) of Title 15, quoted in the Appendix, which grant to certain foreign nationals protection against unfair competition and accord to citizens or residents of the United States like benefits. Such would be one of the results of the holding below requiring for the enforcement of an unfair competition claim a showing of a "substantial" claim of trade-mark infringement, particularly under the standards imposed by the Court of Appeals.

Conclusion.

For the reasons stated, the petition for writ of certiorari should be granted.

Respectfully submitted,

Leo T. Kissam,
Attorney for Petitioners.

Of Counsel:

Leo T. Kissam,
Eric Nightingale,
Martin M. Baxter.

APPENDIX.

15 U. S. C. §1114

"§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services; or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of such goods or services, shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter, except that under subsection (b) of this section the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive purchasers.

(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of the right infringed shall be limited as follows: (a) Where an infringer is engaged solely in the business of printing the mark for others and establishes that he was an innocent infringer the owner of the right infringed shall be entitled as against such infringer only to an injunction against future printing; (b) where the infringement complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical the remedies of the owner of the right infringed as against the publisher or distributor of such newspaper, magazine, or other similar periodical shall be confined to an injunction

against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodical: *Provided,* That these limitations shall apply only to innocent infringers; (c) injunction relief shall not be available to the owner of the right infringed in respect of an issue of a newspaper, magazine, or other similar periodical containing infringing matter when restraining the dissemination of such infringing matter in any particular issue of such periodical would delay the delivery of such issue after the regular time therefor, and such delay would be due to the method by which publication and distribution of such periodical is customarily conducted in accordance with sound business practice, and not to any method or device adopted for the evasion of this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter."

15 U. S. C. §1126

"§1126. International conventions—Register of marks communicated by international bureaus.

(a) The Commissioner shall keep a register of all marks communicated to him by the international bureaus provided for by the conventions for the protection of industrial property, trade-marks, trade and commercial names, and the repression of unfair competition to which the United States is or may become a party, and upon the payment of the fees required by such conventions and the fees herein prescribed may place the marks so communicated upon such register. This register shall show a facsimile of the mark or trade or commercial name; the name, citizenship, and address of the registrant; the number, date, and place of the first registration of the mark, including the dates on which application for such registration was filed and granted and the term of such registration; a list of goods or services to which the mark is applied as shown by the registration in the country of origin, and such other data as may be useful concerning the mark. This register shall be a continuation of the register provided in section 1(a) of the Act of March 19, 1920.

Application of this chapter to nationals of foreign countries which are parties to conventions or treaties.

(b) Persons who are nationals of, domiciled in, or have a bona fide or effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883; or (2) the General Inter-American Convention for Trade Mark and Commercial Protection signed at Washington on February 20, 1929; or (3) any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party, shall be entitled to the benefits and subject to the provisions of this chapter to the extent and under the conditions essential to give effect to any such conventions and treaties so long as the United States shall continue to be a party thereto, except as provided in the following subsections of this section.

Prior registration in country of origin; country of origin defined.

(c) No registration of a mark in the United States by a person described in subsection (b) of this section shall be granted until such mark has been registered in the country of origin of the applicant, unless the applicant alleges use in commerce.

For the purposes of this section, the country of origin of the applicant is the country in which he has a bona fide and effective industrial or commercial establishment, or if he has not such an establishment the country in which he is domiciled, or if he has not a domicile in any of the countries described in subsection (b) of this section, the country of which he is a national.

Right of priority.

(d) An application for registration of a mark under sections 1051, 1052, 1053, 1054 or 1091 of this title, filed by a person described in subsection (b) of this section who has previously duly filed an application for registration of

the same mark in one of the countries described in subsection (b) shall be accorded the same force and effect as would be accorded to the same application if filed in the United States on the same date on which the application was first filed in such foreign country: Provided, That—

(1) the application in the United States is filed within six months from the date on which the application was first filed in the foreign country;

(2) the application conforms as nearly as practicable to the requirements of this chapter, but use in commerce need not be alleged;

(3) the rights acquired by third parties before the date of the filing of the first application in the foreing[1] country shall in no way be affected by a registration obtained on an application filed under this subsection (d) of this section;

(4) nothing in this subsection (d) of this section shall entitle the owner of a registration granted under this section to sue for acts committed prior to the date on which his mark was registered in this country unless the registration is based on use in commerce.

Registration on principal or supplemental register; copy of foreign registration.

(e) A mark duly registered in the country of origin of the foreign applicant may be registered on the principal register if eligible, otherwise on the supplemental register in this chapter provided. The application therefor shall be accompanied by a certified copy of the application for or registration in the country of origin of the applicant.

Domestic registration independent of foreign registration.

(f) The registration of a mark under the provisions of subsections (c), (d), and (e) of this section by a person described in subsection (b) of this section shall be independent of the registration in the country of origin and the duration, validity, or transfer in the United States of

[1] So in original. Probably should read "foreign".

such registration shall be governed by the provisions of this chapter.

Trade or commercial names of foreign nationals protected without registration.

(g) Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks.

Protection of foreign nationals against unfair competition.

(h) Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

Citizens or residents of United States entitled to benefits of section.

(i) Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in subsection (b) of this section. July 5, 1946, c. 540, Title IX, §44, 60 Stat. 441."

28 U. S. C. §1338

"§ 1338. Patents, copyrights, trade-marks, and unfair competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

FILED
OCT 8 1953
HAROLD B. WILLEY, Clerk

Supreme Court of the United States

OCTOBER TERM, 1953.

No. 367.

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

MOTION FOR LEAVE TO FILE SUPPLEMENT TO PETITION FOR WRIT OF CERTIORARI AND THE SUPPLEMENT

LEO T. KISSAM,
Attorney for Petitioners.

Of Counsel:
LEO T. KISSAM,
ERIC NIGHTINGALE,
MARTIN M. BAXTER.

Paudick Press, Inc., 22 Thames St., New York 6, N. Y., U. S. A.

Supreme Court of the United States

No. 367.

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

vs.

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

MOTION FOR LEAVE TO FILE SUPPLEMENT TO PETITION FOR WRIT OF CERTIORARI AND THE SUPPLEMENT

To the Honorable, the Chief Justice of the United States and Associate Justices of the Supreme Court of the United States:

Now COME The American Automobile Association (Incorporated) and Automobile Club of New York, Inc., by their attorney, and move the Court for leave to file the annexed Supplement to the Petition for Writ of Certiorari.

Respectfully submitted,

LEO T. KISSAM,
Attorney for Petitioners.

Of Counsel:

LEO T. KISSAM,
ERIC NIGHTINGALE,
MARTIN M. BAXTER.

SUPREME COURT OF THE UNITED STATES

Supplement to Petition for Writ of Certiorari

To the Honorable, the Chief Justice of the United States and Associate Justices of the Supreme Court of the United States:

The petitioners respectfully show that:

1. On or about September 23, 1953 petitioners filed their petition for writ of certiorari in the above matter and the Clerk of the Supreme Court assigned Docket Number 367, October Term, 1953.

2. On or about September 29, 1953 petitioners served upon respondent notice of petition for writ of certiorari together with a copy of the printed record and a copy of the printed petition.

3. On or about September 30, 1953 proof of service of notice, petition, and record were filed with the Clerk of the Supreme Court.

4. After printing and filing the petition herein, there came to petitioners' attention the most recent progress report of Walter J. Derenberg on the administration of the Lanham Act, "The Sixth Year of Administration of the Lanham Trade-Mark Act of 1946" (*Patent, Trade Mark and Copyright Weekly Reports*, Vol. 98, No. 8, September 14, 1953, Part II). This report contains a noteworthy discussion of the holding of the Court of Appeals below, which, had petitioners been apprized thereof, would certainly have been referred to in the petition. Mr. Derenberg, a recognized authority in this field, under the heading "The

'Federal Law of Unfair Competition;' the Present Status of the Stauffer Doctrine", discusses one of the questions of federal law presented by this petition:

> "It has almost become a certainty now that the question whether under the doctrine of the Stauffer case, a new federal law of unfair competition may have been created under Section 44(i) of the Lanham Act will not be clarified until and unless the United States Supreme Court may decide to review this important question."

The author then analyzes the extent to which the holding in the *Stauffer* case (184 F. 2d 962 [9th Cir., 1950]) has been followed and notes that federal courts in other circuits, particularly the Second Circuit, have failed to adopt this doctrine. Mr. Derenberg concludes his report with the following comment upon the holding of the Court of Appeals for the Second Circuit in the instant case:

> "Only a few weeks ago, however, that court—rather unexpectedly under the circumstances of the case involved—did take the opportunity to express an opinion on this very point. In American Automobile Association (Incorporated) et al. *v.* Spiegel, the Association had obtained a summary judgment enjoining a service station in Brooklyn from unauthorized display of its A.A.A. symbol. In answer to the complaint, defendant asserted that the Association had been using the A.A.A. symbol in violation of the antitrust laws and in violation of the Administrative Code of the City of New York. In reserving any adjudication of these issues until after trial, the Court of Appeals in an opinion by Judge Learned Hand came to the rather startling conclusion that the unauthorized display of the A.A.A. symbol was not an act of trade-mark infringement as it did not involve a misuse of plaintiff's trade-mark in connection with the sale of merchandise. Therefore,

the court ruled, plaintiff's cause of action could be sustained only on a theory of unfair competition as between citizens of the same state, provided the defendant's activities adversely affected the plaintiff's interstate commerce. Thus the Court deemed itself confronted with the necessity of considering the applicability and correctness of the Stauffer doctrine. Without offering any reason other than a recitation of the various subsections of Section 44 of the Act of 1946, the Court summarized its position as follows, 98 USPQ at p. 4:

> 'We are forced to the conclusion that the Act does not give jurisdiction to the district courts over an action brought by any plaintiff with whose interstate commerce the defendant has unfairly competed.'

In remanding the case to the district court for further proceedings during which the plaintiff might perhaps prove a 'substantial * * * claim under the * * * trade mark laws' to which plaintiff's claim for unfair competition may be 'pendent', the court thus squarely refused to adopt the Stauffer doctrine. In view of this clearly defined conflict of the decisions in the Ninth and the Second Circuits with regard to the jurisdictional aspect of the Stauffer doctrine, it would appear to have become almost mandatory for the United States Supreme Court finally to review this question if it should come before it in an appropriate case."

While petitioners believe that the conflict between the Second and Ninth Circuits is adequately set forth in the petition herein, petitioners believe that the added weight of the considered opinion of a writer of Mr. Derenberg's standing and authority should be brought to this Court's attention.

WHEREFORE, petitioners pray that an order be entered allowing the filing of the Supplement to the Petition for

Writ of Certiorari herein, and for such other and further relief as may be just in the premises.

Respectfully submitted,

Leo T. Kissam,
Attorney for Petitioners.

Of Counsel:

Leo T. Kissam,
Eric Nightingale,
Martin M. Baxter.

Dated: October 6, 1953.

No. 367

FILED
NOV 2 1953
HAROLD B. WILLEY, Clerk

Supreme Court of the United States

OCTOBER TERM, 1953

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RUBINTON & COLEMAN,
Attorneys for Respondent,
Office & P. O. Address,
32 Court Street,
Brooklyn 1, New York.

Of Counsel:
SAMUEL RUBINTON,
NOEL RUBINTON.

TABLE OF CONTENTS

PAGE

STATEMENT 1

FACTS AND RESPONDENT'S DEFENSES 2

VIOLATION OF NEW YORK CITY PRICE-POSTING LAW 3

VIOLATION OF FEDERAL AND STATE ANTI-TRUST LAWS 7

PETITIONERS HAVE A CERTIFICATION MARK WHICH IS RENDERED INVALID BY THEIR DISCRIMINATION IN RESTRICTING USE OF MARK 10

PETITIONERS FAIL TO SHOW FEDERAL JURISDICTION 12

PETITIONERS' OTHER ACTIVITIES 13

POINT I—Petitioners' application should be denied since judgment sought to be reviewed is interlocutory and therefore review at this time would be premature 14

POINT II—The Court of Appeals did not erroneously decide questions of Federal law, in holding (1) petitioners' claim of infringement too "unsubstantial" to support pendant jurisdiction over the claim for unfair competition and in holding (2) the Lanham Act does not create a Federal cause for unfair competition 16

POINT III—Petitioners' papers contain several material inaccuracies 20

CONCLUSION 21

INDEX OF AUTHORITIES

CASES

Affiliated Enterprises v. Gantz, 86 F. 2d 597 (10 Cir., 1936) 6

American Medical Association v. U. S., 317 U. S. 519 9

PAGE

American Construction Co. v. Jacksonville, T. & K. W. Ry. Co., 148 U. S. 372 — 15

Associated Press v. U. S., 326 U. S. 1 — 9

Denver v. New York Trust Co., 229 U. S. 123 — 15

Fashion Originators Guild v. Federal Trade Commission, 312 U. S. 457 — 9

"5"-Spot Short Range Gun Club v. Rinehart, 56 Ohio App. 259, 10 N. E. 2d 450 — 6

Hamilton-Brown Shoe Co. v. Wolf Brothers & Co., 240 U. S. 251 — 15

Hanover Star Milling Co. v. Metcalf, 240 U. S. 403 — 15

Hurn v. Oursler, 289 U. S. 238 — 13

International Salt Co. v. U. S., 332 U. S. 392 — 9

Kessler v. Schreiber, 39 F. Supp. 655 (D. C. S. D. N. Y., 1941) — 6

Manhattan Med. Co. v. Wood, 108 U. S. 218 — 6

McVey v. Brendel, 144 Pa. 235, 22 A. 912 — 7

Mercoid Corp. v. Mid-Continent Investment Co., 320 U. S. 661 — 9

Morton Salt Co. v. Suppiger Co., 314 U. S. 488 — 6, 9

Portsmouth Brewing Co. v. Portsmouth Brewing & Bottling Co., 67 N. H. 433, 30 A. 346 — 6, 7

Ross Products, Inc. v. Newman, 94 F. Supp. 566 (S. D., N. Y., 1950) — 19

Salem Trust Co. v. Manufacturers Finance Co., 264 U. S. 182 — 12

Strawbridge v. Curtis, 3 Cranch. 267 — 12

The Conqueror, 166 U. S. 110 — 15

The Three Friends, 166 U. S. 1 — 15

PAGE

Ultem Publications v. Arrow Publications, 166 Misc. 645 (N. Y.) 6

U. S. v. Timken Roller Bearing Co., 83 F. Supp. 284 (N. D. Ohio, E. D.) 9

Wertz Novelty v. Chandler, 30 F. Supp. 774 (D. C. Mo., 1939) 6

Worden v. California Fig Syrup Co., 187 U. S. 516 6

Youngs Rubber Corp., Inc. v. C. I. Lee & Co., Inc., 45 F. 2d 103 (2 Cir., 1930) 6

ARTICLES AND TEXTS

Callman, The Law of Unfair Competition and Trademarks (2nd ed.) 7, 9

Diggins, "The Lanham Trade-Mark Act", 35 Georgetown Law Review 147 12

Toulmin's Anti-Trust Laws 7, 9

Trade-Marks, Unfair Competition and the Courts: Some Unsettled Aspects of the Lanham Act, 66 Harvard Law Review 1094 17, 19, 20

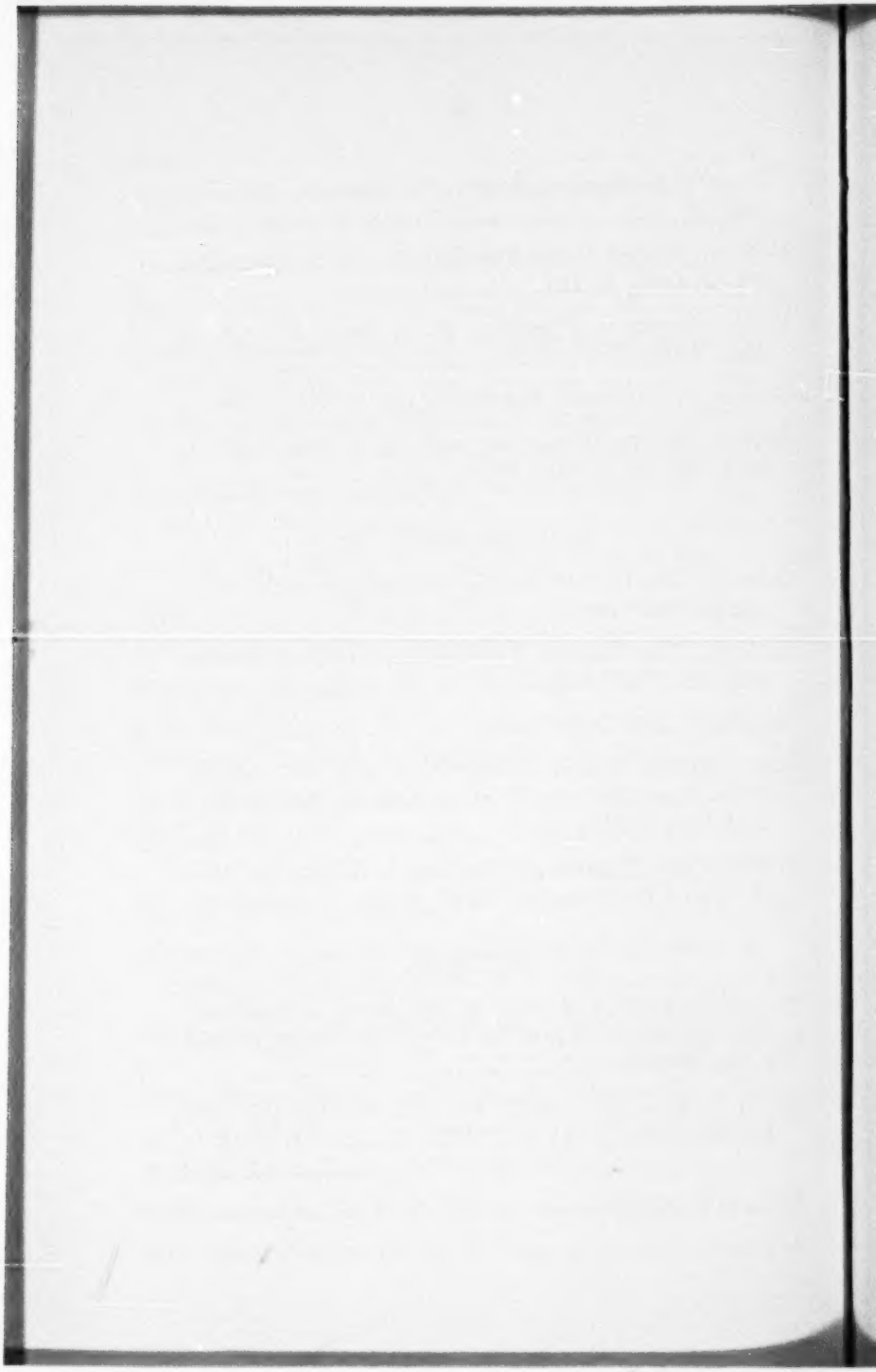
Wolfson and Kurland, Robertson & Kirkham, Jurisdiction of the Supreme Court of the United States 15

STATUTES

Ch. 363 Laws 1924 of State of New York, as amended, Administrative Code of the City of New York, Article 8, Sec. B36-103.0 3

15 U. S. C. 1, 2, 1064(d) (3) (4), 1114(i) (a) (b), 115(a), 1126(b) (h) (i), 1127 11, 12, 13, 14, 16, 17, 18, 19, 20

28 U. S. C. 1338(b) 13, 19



Supreme Court of the United States

OCTOBER TERM, 1953

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Statement

This is a trade-mark infringement and unfair competition action. Petitioners * seek to restrain a small gasoline station owner from maintaining a sign which they claim infringes their "AAA" emblem (7-24).†

The District Court granted the injunction sought (101 F. Supp. 185), without a trial, on petitioners' motion for

* When referred to individually hereafter, The American Automobile Association (Incorporated) will be called the Association, and Automobile Club of New York, Inc. will be called the Club.

† All references, unless otherwise noted, are to the folios in Appendices to Briefs in the United States Court of Appeals for the Second Circuit. The following Exhibits referred to herein have not been printed but one copy thereof has been certified and submitted herewith: Powers' Affidavit Exhibit 3; Powers' Deposition Exhibits 2, 25, 28, 29, 33, 36; Spiegel's Affidavit Exhibits 2, 3, 4, 5, 6 and 2 unnumbered; Colodny's Deposition Exhibits 38, 39, 41; Smith's Affidavit Exhibits 1, 4.

summary judgment (322-327). This equitable relief was granted despite respondent's affirmative defenses that petitioners (1) came into Court with "unclean hands", (2) are using their mark to violate the Federal and State antitrust laws, (3) do not have a valid mark, (4) and failed to show the District Court's jurisdiction to entertain the action.

Respondent appealed and the Court of Appeals for the Second Circuit reversed, remanding the case for trial on the question of jurisdiction as well as on the merits (205 F. (2d) 771). The Court of Appeals expressed grave doubt as to the District Court's jurisdiction, holding the showing of an infringement was too "unsubstantial" to sustain pendent jurisdiction over the cause for unfair competition, and that the Lanham Act did not create a federal cause for unfair competition. The Court continued, that even if federal jurisdiction were established the District Court,

> "should not attempt to dispose of the merits summarily, but only after a trial. We think that the defences present issues that are by no means frivolous, and that may be decided only after the facts are fully developed" (p. 192).

It is apparent, therefore, that petitioners' application for a writ is premature in light of the interlocutory nature of the Court of Appeals' determination, and the host of triable issues of fact raised by respondent's defenses and denials. A determination on the merits after trial may remove from relevance, and make it unnecessary for this Court, to pass upon, the jurisdictional questions raised by petitioners.

Facts and Respondent's Defenses

Respondent, the owner of a small gasoline station in Brooklyn (9, 17, 167, 181; Ex. 3, Powers' affid.), displayed an oilcloth sign suggesting the familiar "AAA" insignia

(122, 123, 346, 352; Ex. 3, Powers' affid.; 361, Exs. 2, 3, Spiegel's affid.). Respondent had first applied for affiliation with petitioners but was arbitrarily refused admission (170, 171, 172, 175, 176). Respondent then erected his sign in July, 1949 (75, 172) out of sheer economic necessity to meet the unlawful combination of stations affiliated with the Club which displayed the official "AAA-Savings Plan" emblem (128, 129, 175, 176, 178, 179, 182, 183). This emblem, the alleged trademark which petitioners seek protected, is itself the instrumentality whereby petitioners violate the New York City price-posting law and the anti-trust laws of the United States and the State of New York (26-41, 103-109, 136, 137). By use of this mark petitioners effectively restrain and destroy competition from non-affiliated gasoline stations such as respondent's.

Violation of New York City Price-Posting Law

New York City has a price-posting law which prohibits the use in the retail sale of gasoline of a "sign or placard stating or referring directly or indirectly to the price or prices of gasoline * * *" except a sign or placard not smaller than 7″ x 8″, not larger than 12″ x 12″ and affixed to the dispensing pump (ch. 363, Laws of the State of New York of 1924, as amended, Administrative Code, City of New York, Art. 8, Sec. B36-103.3, enacted 1939, amended 1941; 26-37, 59-66).

Petitioners are using their "AAA" mark in connection with the retail sale of gasoline in such a manner as to make it a price sign in violation of the statute (26-37, 89, 96, 97, 107-109, 179). Petitioners have done this by means of a so-called "Savings Plan" (107-109).

This "Savings Plan" is designed to mass the purchasing power of Club-motorist members and divert it to certain gasoline stations approved by and affiliated with the Club (529-531; Ex. 29, 36, Powers' deposit.; Ex. 41, p. 16, Co-

lodny's deposit.). These affiliated stations are licensed by the Club to display the "AAA-Savings Plan" insignia, a metal sign 18" x 16" in striking blue and white, designed to catch the eye of Club-motorist members (93, 123, 269, 361, 373-384, 514-525).

To obtain Club approval a station must agree to give all Club members a 10% rebate on all products purchased, including gasoline, and to display the Club's "AAA" emblem. This rebate is given in the form of coupons which are sold in quantity by the Club to the affiliated stations for distribution to Club members. The Club members then theoretically redeem these coupons for cash at the Club's offices (26-37, 105-107, 219-227, 266, 267, 373-384, 514-525).

As a result of this scheme, it was not long before the "AAA-Savings Plan" sign acquired the secondary meaning among the general public, Club members and non-members alike, of "BUY GASOLINE HERE AND SAVE 10%" (26-37, 89, 107, 128, 132, 175, 176, 182, 183). The "AAA" mark when displayed by a gasoline station took on this meaning in the Club member's mind because he knew by trading there he would receive redeemable coupons equal to 10% of his purchase.

Affiliates realizing the tremendous advantage given them by the Club's scheme sought to improve on this position by giving the 10% discount to all comers, members and non-members alike (35, 36, 107, 108, 175, 176); non-members received the discount in cash. This practice was also brought about by the affiliates' inability to discriminate between Club member and non-member; to give the discount to members alone would cost the affiliate the good will of his non-member customers. The practice soon got out of hand and the discount was given to all (35, 36); the affiliated stations were anxious to acquire the extra business which went with being known for giving a 10% cash discount; employees of affiliates could not distinguish between customers and transients and to be safe gave the

cash discount to all. When this practice became widespread all affiliates had to give the discount to all comers out of self-defense; otherwise the non-member motorist would go to another "AAA" affiliated station where he could get the cash discount.

Thus, Club members and non-members alike look for petitioners' mark, "AAA-Savings Plan", and seek out and patronize those stations displaying that mark because to them it means "BUY GASOLINE HERE AND SAVE 10%" (35, 36, 107, 108, 175, 176, 182, 183). Consequently, petitioners' mark has acquired a secondary meaning in the mind of the general motoring public, so that it now constitutes a "sign or placard stating or referring directly or indirectly to the price or prices of gasoline" (26-37, 61, 62, 107, 108, 175, 176, 182, 183).

Petitioners' mark, constituting a price sign within the meaning of the New York City price-posting law, is clearly violative of that law. Petitioners' sign is 18″ x 16″, larger by far than the 12″ x 12″ maximum permissible size (Spiegel's affid., unnumbered ex., 27, 60, 215). Petitioners' sign is not annexed to the dispensing pump as required by the statute, but is characteristically displayed from a much more conspicuous location (27, 28, 60, 61, 361).

Affiliated stations displaying the "AAA-Savings Plan" sign have a tremendous advantage over non-affiliates. The affiliates can advertise their price discount conspicuously and with impunity; the non-affiliates, because of the New York City price-posting law, cannot (128, 129, 175-179, 182). Motorists being price conscious, the advertising of the price discount in this manner has had the effect of enabling the affiliates to "corner" an increasingly large part of the retail gasoline business (37-41).

The natural reaction of non-affiliated stations such as respondent's has been to match the discount given by affiliated stations (175-178, 182, 186). However, this effort to attain equality of competitive position has been rendered

nugatory by the New York City price-posting law (176-179). Obviously non-affiliates cannot bring their message home to the motoring public on a 12″ x 12″ placard affixed to the pump (177, 178). Cars move swiftly and unless a sign is large and prominently displayed it will not be seen. A 12″ x 12″ sign affixed to the pump is not readily visible from the street.

However, the "AAA-Savings Plan" sign is sufficiently large (18″ x 16″; statutory maximum 12″ x 12″) and is characteristically displayed prominently so that it will be readily visible to the motorist (93, 123, 361-363; unnumbered Ex. Spiegel's affid., 182, 183, 215). Thus, this "AAA-Savings Plan" sign gives affiliates a competitive advantage which non-affiliates cannot match, i.e., the ability to effectively advertise a price discount (128, 129). This advantage is illegal since the "AAA-Savings Plan" sign is larger than the statute permits and is displayed from locations forbidden by the statute (93, 123, 361-363; unnumbered Ex. Spiegel's affid., 26-29, 215).

Petitioners have been aware for many years that their mark has acquired a meaning, and is being used in a manner, which renders it violative of the New York City price-posting law (34, 37). Therefore petitioners come into this court of equity with "unclean hands" seeing judicial protection for the very mark whereby they violate law (25-37); and consequently are not entitled to relief. *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *Worden* v. *California Fig Syrup Co.*, 187 U. S. 516; *Manhattan Med. Co.* v. *Wood*, 108 U. S. 218; *Affiliated Enterprises* v. *Gantz*, 86 F. 2d 597, 599 (10 Cir., 1936); *Youngs Rubber Corp.* v. *C. I. Lee & Co.*, 45 F. 2d 103, 109 (2 Cir., 1930); *Kessler* v. *Schreiber*, 39 F. Supp. 655 (D. C., S. D. N. Y., 1941); *Wertz Novelty* v. *Chandler*, 30 F. Supp. 774 (D. C. Mo., 1939); *"5"-Spot Short Range Gun Club* v. *Rinehart*, 56 Ohio App. 259, 10 N. E. 2d 450; *Ultem Publications* v. *Arrow Publications*, 166 Misc. 645 (N. Y.); *Portsmouth Brewing Co.* v.

Portsmouth Brewing & Bottling Co., 67 N. H. 433, 30 A. 346; *McVey* v. *Brendel*, 144 Pa. 235, 22 A. 912; 15 U. S. C. 1115(a); Callman, *The Law of Unfair Competition and Trademarks* (2nd ed.), p. 1745; 4 Toulmin's Anti-Trust Laws, 779-783.

Violation of Federal and State Anti-Trust Laws

The advantage to stations to become affiliated with petitioners, to participate in the "Savings Plan" and to display the "AAA" mark is very substantial. The Club has a membership of 275,000 (151); the Association has a membership of 3,250,000 (151). There are about 650 stations affiliated with the Club in the five boroughs of New York City (Ex. 28, Powers' deposit.) (there are about 2,000 * stations in the five boroughs); 269 out of a total of 700 stations in respondent's borough, Brooklyn, are affiliated (38, 286, 287); 350 are affiliated in Westchester and Nassau Counties (Ex. 28, Powers' deposit.); 200 more are affiliated in Suffolk, Dutchess, Orange, Rockland, Putnam, Ulster and Sullivan Counties (Ex. 28, Powers' deposit.).

Every affiliate is joined to each other through the Club by means of a written contract whereby the affiliate agrees to display the combine's mark, "AAA", and to give a 10% discount to all Club members. The Club promises, in turn, to recommend to all its members the advantages of dealing with the affiliate (161, 222-227, 373-384, 514-525). This contract also prohibits affiliates from giving to *all* persons, Club members and non-members alike, the dividend or discount coupons of any person, firm or corporation other than the Club. Each affiliate is so located that it will not be in the same natural area of competition with any other affiliate; in short, there is a division of the market among the affiliates. Petitioners freely concede this and admit

* A rough approximation based on the same ratio as exists in Brooklyn of affiliates to total number of stations.

this territorial division is rigidly observed to the exclusion of stations of acceptable construction, service, etc. (160, 161, 236-241, 526-528). Thus petitioners have created and maintain a system of uniform price rebates.

Affiliated stations quickly realized (1) by giving the 10% rebate they would be able to take advantage of the tremendous purchasing power represented by the combined Club membership; (2) they would have access to the motoring public generally since the "AAA" mark had acquired the meaning to all motorists, "BUY GASOLINE HERE AND SAVE 10%"; (3) they would have access to the 3,250,000 national Association members here from other states, since those members would be predisposed to deal with an "AAA" station, the "AAA" being a familiar landmark in a "strange" land to the Association member. Club affiliation soon became a very prized and much sought-after thing (175-177). Before long the Club, by granting or withholding affiliation, held and continues to hold the power of life or death over many stations.

The result of this scheme of affiliating stations in a so-called "Savings Plan" has been to enable the affiliates to "corner" an increasingly disproportionate share of the retail gasoline business in the New York City area (38-41). Affiliates acquire the business of Club members because of the "Savings Plan", of non-members because of the well-recognized meaning of the "AAA" mark ("Buy gasoline here and save 10%"), and of the national Association's 3,250,000 members in New York from other states because of their predisposition to trade with someone exhibiting the familiar "AAA" mark.

This concerted scheme has had a demoralizing effect on the non-affiliated gasoline stations. These stations have been steadily losing business to the favored affiliates (38-41). The gasoline retailing business in the commercially strategic New York City area when regarded as a unit constitutes, because of its magnitude, interstate trade or commerce. Consequently, the ability of non-affiliates to

compete in interstate trade or commerce is being unreasonably restrained by petitioners' combine. Moreover, the loss in business by non-affiliates is reflected in smaller orders to their out-of-state suppliers. Consequently, the interstate trade and commerce of these out-of-state suppliers is also being unreasonably restrained by petitioners' scheme. Petitioners' scheme, dependent as it is upon *contracts* with all affiliates and upon a *combination* of many affiliates, violates the anti-trust laws of the United States (38-41).

It is at once apparent that petitioners' mark is the very instrumentality whereby this illegal scheme is effectuated (40). Without the distinctive "AAA" sign motorists would have no means of telling an affiliate from a non-affiliate. The "AAA" mark, prominently displayed, furnishes the swift-moving motorist with a ready guide for the identification of affiliates of petitioners' combine. This use by petitioners of this mark in violation of the federal anti-trust laws bars them from relief. Cf. *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661; *Associated Press* v. *U. S.*, 326 U. S. 1; *American Medical Association* v. *U. S.*, 317 U. S. 519; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *U. S.* v. *Timken Roller Bearing Co.*, 83 F. Supp. 284 (N. D. Ohio, E. D., 1949); 15 U. S. C. 1; 15 U. S. C. 2; Callman, *The Law of Unfair Competition and Trademarks* (2nd ed.), 223, 1745, 2084; 4 Toulmin's Anti-Trust Laws, 779, 792, 793; 1 Toulmin's Anti-Trust Laws, 416, 417 (see also cases and authorities cited on pages 6-7 hereof).

Sight should not be lost of petitioners' Clayton Act violation. The contract with affiliates (375-384, 514-525) prohibits an affiliate, under penalty of disaffiliation, from entering into a similar Savings Plan arrangement with any other organization. The terms of this contract represent a flagrant violation of 15 U. S. C. 14, which prohibits the making of a contract on condition that the party with whom it is made shall not deal in a competitor's goods. Cf. *International Salt Co.* v. *U. S.*, 332 U. S. 392; *Fashion Originators Guild* v. *Federal Trade Commission*, 312 U. S. 457.

Alternatively it is urged, if this Court conclude that petitioners' monopoly and restraint on trade is intrastate (although it is contended that the monopoly and restraint are interstate), that petitioners are then violating the Donnelly Act of New York State (General Business Law, Secs. 340 et seq.). The Donnelly Act is the state counterpart of the federal Sherman Act. Violation of the Donnelly Act would render petitioners' hands "unclean" within the intent and holding of the authorities heretofore cited on pages 6-7 and bar petitioners from obtaining relief in this action.

Petitioners Have a Certification Mark Which Is Rendered Invalid by Their Discrimination in Restricting Use of Mark

Moreover, it is clear that petitioners do not have a trademark or service mark; they have a certification mark, similar in nature to the Good Housekeeping Seal of Approval. Aware that, to be valid, a trademark must be affixed to or displayed in close proximity to an article, petitioners make an impressive list of articles to which their "trademark" is affixed. They list such articles as key rings (192, 193), ash trays (191), pamphlets (194), writing paper (201, 202), maps (189), etc. But these objects are not manufactured by petitioners; they are manufactured for petitioners' account (195). Nor are these articles sold; they are distributed to members (203, 204, 255-258, 260, 261). Also these articles are so remote from the basic purposes and activities of petitioners (10-12; Exs. 38, 39, Colodny's deposit.) as not to be normally associated in the public's mind with petitioners' mark, and thereby preclude petitioners from claiming a trademark based upon this mark's affixation to those articles.

Petitioners likewise do not possess a service mark. Such a mark is used in the sale or advertising of services to identify the services of one person and distinguish them

from the services of others (15 U. S. C. 1127). Obviously petitioners' mark is not used to make such identification since it is clear that each affiliated station operator, as an independent businessman, performs the services. No one would believe for a minute, and certainly petitioners do not contend, that affiliated station owners perform services as mere agents or employees of petitioners.

What petitioners clearly have is a certification mark. It is "used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify * * * quality, accuracy or other characteristics of such goods or services * * *" (15 U. S. C. 1127). It is like the familiar Good Housekeeping Seal of Approval or seal of the Board of Fire Underwriters. This is the meaning which petitioners have clearly designed their mark to take by certifying the quality of various products, such as Sunoco Dynalube (208-210; Exs. 4, 5, 6, Spiegel's affid.) and Goodrich tires (212, 213), accommodations (197) and gasoline service stations (233-239). This is the meaning which petitioners' mark has acquired in the mind of the public.

A certification mark becomes invalid when the holder discriminates among those to whom he will give the mark or when the owner permits the use of the mark otherwise than as a certification mark (15 U. S. C. 1064[d]).

Petitioners concede they do not give their mark to all station operators who apply, though all may own stations of equal quality; petitioners admittedly discriminate on the basis of physical proximity (160, 161, 234-242, 526-528). The Club will not approve a station within a mile of an affiliated station carrying the same brand of gasoline as the affiliate; the Club will not approve a station within a quarter of a mile of an affiliate regardless of the brand of gasoline sold (160, 161, 234-242, 526-528). The Club does this without regard to standards of appearance, cleanliness, service and the like (160, 161, 234-242). The Club adheres

to this policy of selective locations because it realizes the "market" value of its "AAA-Savings Plan" would be destroyed if it permitted adjacent stations to display the "AAA-Savings Plan" emblem. The monopolistic and restrictive conditions created by this discrimination is an excellent example of why the Lanham Act (15 U. S. C. 1064[d][4]) invalidates certification marks when the holder discriminates in certifying goods or services. Diggins, *The Lanham Trade-Mark Act,* 35 Georgetown Law Review, 147, 165.

Respondent is further prepared to show that stations with high standards of cleanliness, service, etc., were arbitrarily rejected by the Club while inferior stations were approved, this without reference to proximity or brand of gasoline sold (38, 142, 176).

In addition, petitioners' use of their certification mark as an indication of a price rebate is a further reason for invalidating that mark. The Lanham Act (15 U. S. C. 1064[d][3]) specifically calls for the cancellation of a certification mark at any time if the owner permits it to be used otherwise than as a certification mark.

Petitioners Fail to Show Federal Jurisdiction

Quite apart from the merits of this controversy petitioners have failed to establish federal jurisdiction. Diversity cannot be pleaded since the Club and respondent are residents of New York State (9, 166). *Strawbridge* v. *Curtis,* 3 Cranch. 267; *Salem Trust Co.* v. *Manufacturers Finance Co.,* 264 U. S. 182. Petitioners cannot maintain that this is an action under the Trademark Laws (15 U. S. C., Ch. 22) since the objectionable use is neither in nor does it have a substantial effect on interstate commerce. Respondent's station is small (181; Ex. 3, Powers' affid.), off the main thoroughfare (183) and *rarely* gets out-of-state cars (183-185). Petitioners do not fix even by approxi-

mation the percentage of respondent's business with out-of-state cars (184, 185). It could be .001% or .0001%. Certainly this doesn't make out a showing of interstate use or substantial interstate effect in the face of respondent's categorical denial of such use or effect (17-19, 26, 103).

Nor can petitioners plead the doctrine of pendant jurisdiction enunciated in *Hurn* v. *Oursler,* 289 U. S. 238, and codified in 28 U. S. C. 1338(b). Though petitioners sue for trademark infringement and unfair competition, jurisdiction in the trademark infringement cause is plainly too insubstantial, since no substantial showing of interstate use or effect of the objectionable sign is made to warrant the Court retaining jurisdiction to decide the cause for unfair competition.

Federal jurisdiction is absent for the further reason that, as pointed out by the Court below (pp. 188-192), the claim of infringement is too unsubstantial to warrant the Court retaining jurisdiction of the cause for unfair competition; respondent sold nothing which might even slightly lead purchasers to suppose that the source of origin of the goods was petitioners'. Finally, the Court below stated jurisdiction over the cause for unfair competition could not be retained under the Lanham Act (15 U. S. C. 1126), since that statute does not create a federal cause for unfair competition.

Petitioners' Other Activities

Finally, it should be understood that respondent has no quarrel with many of petitioners' activities to help the motorist. Respondent resists only the perversion of petitioners' "AAA" mark to the illegal and unwholesome uses of violating the New York City price-posting law and the anti-trust laws of the United States and the State of New York and conferring their mark in a discriminatory man-

ner. The good purposes in connection with which petitioners' mark is used cannot be carried over to legitimatize these illegal and unwholesome uses. The good and evil uses to which petitioners' mark is put are readily separable; a denial of the relief petitioners seek would not curb their wholesome activities but would make them comply with the price-posting, anti-trust and trademark laws just as any other person.

POINT I

Petitioners' application should be denied since judgment sought to be reviewed is interlocutory and therefore review at this time would be premature.

Assuming, for argument's sake (but not conceding), the truth of the reasons offered by petitioners for granting the writ, to wit, (1) conflict of circuits as to the jurisdictional question of whether the Lanham Act (15 U. S. C. 1126) creates a federal cause for unfair competition and (2) the Court of Appeals erroneously decided questions of federal law, (a) by failing to give full effect to 15 U. S. C. 1114(1)(b), which, if given effect, would sustain the District Court's jurisdiction, and (b) by holding the Lanham Act does not create a federal cause for unfair competition, petitioners' application is premature and should be denied.

Petitioners seek review of an interlocutory determination (reversal of summary judgment). The Court of Appeals has not finally passed upon this controversy but merely reversed the summary judgment of the District Court and sent the cause back for trial on the merits. It may well be that after such a trial the validity of respondent's defenses will be established, thereby rendering the jurisdictional questions moot. This Court then would not be called upon to decide those issues.

Even if this Court granted the application to consider the jurisdictional questions, it would (it is respectfully

submitted) do no worse to respondent than remand the cause for trial. Respondent's defenses, heretofore outlined and characterized by the Court of Appeals as presenting "issues that are by no means frivolous", would surely entitle respondent to a trial on the merits; a host of triable issues of fact exist. In light of this order of events it is clear this case must be tried on the merits. Since it must be tried, and since such trial may render the jurisdictional questions academic through a decision on the merits, it is apparent that the jurisdictional questions are not yet ripe for this Court's consideration. If the jurisdictional questions are still of more than academic interest after trial, it will then be timely for this Court to pass upon them.

This Court has on numerous occasions commented on the rare exercise of its power to review interlocutory determinations. Thus in *Denver* v. *New York Trust Co.*, 229 U. S. 123, this Court stated at page 133:

> "The exceptional power to review, upon certiorari, a decision of a Circuit Court of Appeals rendered on an appeal from an interlocutory order is intended to be and is sparingly exercised."

See also:

Hamilton-Brown Shoe Co. v. *Wolf Brothers & Co.*, 240 U. S. 251, 258;
Hanover Star Milling Co. v. *Metcalf*, 240 U. S. 403, 408-409;
American Construction Co. v. *Jacksonville, T. & K. W. Railway Co.*, 148 U. S. 372, 383-384;
The Conqueror, 166 U. S. 110, 113-114;
The Three Friends, 166 U. S. 1, 49.

The outstanding text, *Robertson & Kirkham, Jurisdiction of the Supreme Court of the United States*, at page 233 also makes note of this Court's reluctance to review by certiorari, interlocutory determinations, stating:

> "The Supreme Court, however, is also given authority by section 1254(1) to issue its writ of certiorari to review non-final judgments or decrees. * * * But the cases emphasize that the power to issue certiorari to review interlocutory judgments or decrees is to be exercised only in 'extraordinary cases', and *the fact that the decree sought to be reviewed is not final may, of itself, furnish sufficient ground for the denial of the application.*" (Emphasis supplied.)

These principles clearly require a denial of petitioners' application. The determination sought to be reviewed is obviously interlocutory. There is nothing "extraordinary" present in the jurisdictional errors assigned by petitioners; nothing that cannot await orderly disposition by trial, which, by a determination on the merits, may eliminate the existence of the jurisdictional issues petitioners urge this Court to review at this time.

POINT II

The Court of Appeals did not erroneously decide questions of federal law, in holding (1) petitioners' claim of infringement too "unsubstantial" to support pendant jurisdiction over the claim for unfair competition, and in holding (2) the Lanham Act does not create a federal cause for unfair competition.

Petitioners contend the Court of Appeals failed to give full effect to 15 U. S. C. 1114(1)(b), which they claim establishes an infringement without requiring a showing that confusion, mistake or deception as to origin of goods or services may result from the simulated mark. Had full effect been given, petitioners argue, a clear basis of jurisdiction would have been established. This argument is without merit and logic and relies upon a tortured interpretation of the statute.

15 U. S. C. 1114(1)(a) and (b) provides:

> "(1) Any person who shall, in commerce, (a) use, without the consent of the registrant, any reproduction, counterfeit, copy, or colorable imitation of any registered mark in connection with the sale, offering for sale, or advertising of *any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services;* or (b) reproduce, counterfeit, copy, or colorably imitate any such mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles, or advertisements intended to be used upon or in connection with the sale in commerce of *such goods or services,* shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided in this chapter, * * *." (Emphasis supplied.)

First, the confusion of source test, which petitioners characterize as "the restricted and antiquated 'palming-off' doctrine" relied on by the Court of Appeals, is neither restricted nor antiquated, but is in full vigor; it has been codified in the Lanham Act, 15 U. S. C. 1114(1). *Trade-Marks, Unfair Competition, and the Courts: Some Unsettled Aspects of the Lanham Act,* 66 Harvard Law Review 1094, 1096.

Second, petitioners quickly skip over the phrase "such goods or services" appearing in 1114(1)(b). This phrase obviously refers back to 1114(1)(a) which defines "such goods or services" as "any goods or services on or in connection with which such use [of a simulated mark] is likely to cause confusion or mistake or to deceive purchasers as to the source of origin" (brackets added).

Thus, clearly 1114(1)(b) incorporates the confusion of source test set forth in 1114(1)(a). Any other conclusion would lead to an absurd and illogical result. 1114(1)(a) patently is aimed at preventing the *use* and 1114(1)(b) the *reproduction and application* of objectionable marks. *Use* is

actionable only where confusion is likely. Yet petitioners would make reproduction and application actionable where confusion is not likely. Thus under petitioners' interpretation it would be wrong to *reproduce* and *apply* the mark, but not wrong to *use* the mark. Obviously such a result is contrary to all logic as well as the clear wording of the statute.

Consequently, since the confusion of source test is applicable under both 1114(1)(a) and (b), and since the Court of Appeals found no likelihood of consumer confusion here, that Court did not commit error in finding no substantial claim of trademark infringement had been established.

In addition to petitioners' foregoing legal contention, they argue (bottom page 12 and top 13) that factually a "substantial" claim of infringement was established. This is, of course, vigorously disputed, but in any event cannot aid petitioners' application since this error (assuming error) does not involve a broad question of federal law, but is of limited application only. This Court has often expressed its great reluctance to correct errors below. The late Chief Judge Vinson enunciated the reasons in an address before the American Bar Association which appears in the St. Louis Daily Record, September 8, 1949, page 1, column 7, saying:

> "The Supreme Court is not, and never has been, primarily concerned with the correction of errors in lower court decisions * * *. If we took every case in which * * * our prima facie impression is that the decision below is erroneous, we could not fulfill the constitutional and statutory responsibilities placed upon the Court. To remain effective, the Supreme Court must continue to decide only those questions which present questions whose resolution will have immediate importance beyond the particular facts and parties involved."

The Court of Appeals correctly held that 15 U. S. C. 1126 did not create a federal cause for unfair competition, and

hence petitioners could not base jurisdiction on this section, but would have to base it on 28 U. S. C. 1338(b) by showing a "substantial and related claim under the * * * trade-mark laws".

The Court of Appeals reached a carefully reasoned conclusion that Section 1126 does not create a federal cause for unfair competition for every plaintiff, but only for foreign nationals whose governments have entered into the treaties of 1883, 1929 or any other convention or treaty for the repression of unfair competition with the United States, against U. S. citizens, *and* only reciprocally for U. S. citizens against the foreign nationals of the governments who entered into the treaties or conventions described. Thus, Section 1126 does not create a federal cause for unfair competition for U. S. citizens against other U. S. citizens.

Quite apart from the obvious soundness of this analysis of the statute, the interpretation for which petitioners contend would render meaningless 28 U. S. C. 1338(b), enacted in 1948, two years after the passage of the Lanham Act. 28 U. S. C. 1338(b) provides:

> "(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade-mark laws."

Obviously if Congress had intended the Lanham Act to create a federal cause for unfair competition it would not have enacted 28 U. S. C. 1338(b), since the latter would be superfluous and meaningless. The passage of 28 U. S. C. 1338(b) is clear evidence, therefore, that 15 U. S. C. 1126(b)(h)(i) does not create a federal cause for unfair competition. *Ross Products, Inc.* v. *Newman,* 94 F. Supp. 566 (S. D. N. Y., 1950); *Ibid.,* 66 Harvard Law Review, 1102, 1103.

Incidentally, it may be noted that Daphne Robert from whose post-Lanham Act Commentary petitioners quote to sustain their contention that the Lanham Act created a federal cause for unfair competition, apparently had a different view in 1944 when testifying before the House Subcommittee of the Committee on Patents. At that time Miss Robert stated that Section 1126 was designed to carry out our international conventions but did not suggest that it created a federal law of unfair competition. *Ibid.*, 66 Harvard Law Review, 1102n.

Clearly, any contention that the Lanham Act creates a federal cause for unfair competition rests upon a strained statutory construction. Even policy-wise there is little to be said for it, because the broadened scope of the Lanham Act (relaxing registration requirements providing for registration of collective and certification marks), the increasingly liberalized requirements for pendant jurisdiction and the distinct tendency of the state courts to follow federal precedents have all but eliminated the need of achieving uniformity through a federal law of unfair competition. *Ibid.*, 66 Harvard Law Review, 1104, 1105.

POINT III

Petitioners' papers contain several material inaccuracies.

Petitioners state at page 3 of their petition that the Court of Appeals did not pass upon respondent's defenses. This is not correct. The Court of Appeals expressly prohibited the District Court from passing on the merits summarily, saying:

> "* * * We do not now decide anything about the defenses, except that if the court should conclude that it has jurisdiction over the action it should not attempt to dispose of the merits summarily, but only after a trial. We think that the defenses present issues that are by no means frivolous, and that may be decided only after the facts are fully developed."

It is respectfully submitted that the Court of Appeals has sustained the legal validity of respondent's defenses.

Petitioners state at pages 6 and 13 that respondent admitted his use of the letters "AAA" within an oval was intended to give motorists the impression that respondent was in some way affiliated with petitioners (181-183). This is not so and the portions of the record cited to sustain petitioners' contention plainly do not.

It is clear respondent did not erect his sign in an effort to get a free ride on petitioners' shirt tail, but rather to combat as best he could the illegal uses to which petitioners had put their mark (78, 175-177, 179, 182); illegal uses which were ruining his business (128, 129, 175, 176). Respondent sought only to achieve equality of competitive position. Visual comparison shows respondent's sign would not lead a reasonable man to believe respondent is affiliated with the Club, but is designed to convey the idea that the motorist will get the same discount at respondent's as at an affiliated station (361-363; Exs. 2, 3, Spiegel's affid.; Spiegel's affid., both unnumbered Exs.; 182, 349-351, 355-357; Ex. 3, Powers' affid.).

CONCLUSION

Petitioners' application should be in all respects denied.

Respectfully submitted,

RUBINTON & COLEMAN,
Attorneys for Respondent,

By SAMUEL RUBINTON,
a member of the firm.

SAMUEL RUBINTON,
NOEL RUBINTON,
of Counsel.

Dated: October 28, 1953.

FILED
NOV 6 1953
HAROLD B. WILLEY, Clerk

Supreme Court of the United States

OCTOBER TERM, 1953.

No. 367.

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

PETITIONERS' REPLY BRIEF.

LEO T. KISSAM,
Attorney for Petitioners.

Of Counsel:

LEO T. KISSAM,
ERIC NIGHTINGALE,
MARTIN M. BAXTER.

Pandick Press, Inc., 22 Thames St., New York 6, N. Y., U. S. A.

INDEX.

PAGE

POINT I.—The questions of law sought to be reviewed are formulated, require decision and will not be affected by the litigation of respondent's defenses 2

POINT II.—The basis of the petition is the conflict of authority on important questions of law and not the correctness of the particular interpretation of the Lanham Act followed by the Court of Appeals below 4

POINT III.—Respondent has advanced a number of other contentions which do not bear upon the granting of the writ and which are in themselves unsound 5

POINT IV.—Petitioners have accurately presented the record to this Court 7

CONCLUSION 8

CASES.

	PAGE
American Construction Co. v. *Jacksonville, T. & K. W. Ry. Co.*, 148 U. S. 372	3
Denver v. *New York Trust Co.*, 229 U. S. 123, 133	3
Du Pont Powder Co. v. *Masland*, 244 U. S. 100	3
Gay, Receiver v. *Ruff*, 292 U. S. (1934)	3
Spiller v. *Atchison, T. & S. F. Ry. Co.*, 253 U. S. 117, 121	3
Steele v. *Bulova Watch Co.*, 344 U. S. 280 (1952)	4
Thompson v. *Maxwell Land Grant and Railway Company*, 168 U. S. 451, 456 (1897)	3

STATUTES.

15 U. S. C. 1051	6
15 U. S. C. 1114(1)(b)	6
28 U. S. C. 1338(a) and (b)	5, 6

AUTHORITIES.

66 Harvard Law Review 1094	4
Patent, Trade Mark and Copyright Weekly Reports, Vol. 98, No. 8	4
Virginia Law Review, Vol. 35, p. 214	4

Supreme Court of the United States

OCTOBER TERM, 1953.

No. 367.

THE AMERICAN AUTOMOBILE ASSOCIATION (INCORPORATED) and AUTOMOBILE CLUB OF NEW YORK, INC.,

Petitioners,

against

MURRAY SPIEGEL, doing business as LAKE SERVICE STATION,

Respondent.

PETITIONERS' REPLY BRIEF.

The petition presents questions of national importance (far exceeding the interests of the immediate litigants and affecting many pending litigations) raised by the interpretation given the Lanham Act by the Court of Appeals for the Second Circuit. It points out how that interpretation differs from the interpretation of the Court of Appeals for the Ninth Circuit and urges that these questions be reviewed and the conflict resolved by this Court. Respondent's brief does not dispute the existence of these questions nor the conflict among the Circuits; rather respondent argues the merits of one line of authority and urges that questions of law now fully formulated should await the litigation of facts which, however, cannot affect the fundamental issues presented.

Respondent's brief is a studied attempt to treat the petition as premature by burdening this Court with the

merits of its defenses and by conveying the impression that many issues remain to be resolved whereas the Court of Appeals below has now established the law of this case which petitioners respectfully urge should now be reviewed.

Petitioners reaffirm the national need for judicial interpretation of the Lanham Act and submit that in this case are presented the major questions on which the Courts of Appeal have differed. Nothing in respondent's brief detracts in any way from the national importance of these questions.

POINT I.

The questions of law sought to be reviewed are formulated, require decision and will not be affected by the litigation of respondent's defenses.

The questions requiring determination have been clearly defined upon the basis of depositions and voluminous affidavits presented in the District Court and considered upon extended argument in the Court of Appeals. The Court of Appeals has established the law of the case binding upon the District Court and upon itself in making such major rulings as: (1) that infringement under the Lanham Act requires a showing of confusion or mistake as to the source or origin of goods or services and that a mere deceiving use is not a substantial violation of the Act and (2) that the Act does not give jurisdiction over a claim of unfair competition unless there is established a "substantial . . . claim under the . . . trade-mark laws." These rulings will obviously not be affected by the litigation of extraneous factual issues which have already been fully developed nor by any further review in the Court of Appeals because that Court's rulings are deemed final. They provide the law of

the case. The doctrine is thus declared in *Thompson* v. *Maxwell Land Grant and Railway Company*, 168 U. S. 451, 456 (1897):

> "It is the settled law of this court, as of others, that whatever has been decided on one appeal or writ of error cannot be reexamined on a second appeal or writ of error brought in the same suit. The first decision has become the settled law of the case."

Even if it should be held that certain factual issues require litigation, the District Court and the petitioners, particularly the Association whose operations are nationwide and whose mark is one of the country's best known, should have the immediate benefit of the resolution of questions of law upon which two Circuits and even members of the same bench are divided. The influence of the Lanham Act upon the nation's commerce and the generally acknowledged urgent need that the controversial questions presented be resolved make this a case of general importance in which this Court should exercise its power to review in order to secure uniformity of decision.

This Court has granted a writ of certiorari in similar instances. In *Gay, Receiver*, v. *Ruff*, 292 U. S. 25 (1934), at page 30, this Court said: "The jurisdiction to review interlocutory orders was exercised in *American Construction Co.* v. *Jacksonville, T. & K. W. Ry. Co.*, 148 U. S. 372; *Denver* v. *New York Trust Co.*, 229 U. S. 123, 133; *Spiller* v. *Atchison, T. & S. F. Ry. Co.*, 253 U. S. 117, 121; and *Du Pont Powder Co.* v. *Masland*, 244 U. S. 100."

While this case involves an interlocutory order, it is the type of interlocutory order which should be reviewed by this Court so as to resolve the direct conflict between the Courts of Appeal for the Second and Ninth Circuits and to assure uniformity in interpretation of the Lanham Act.

POINT II.

The basis of the petition is the conflict of authority on important questions of law and not the correctness of the particular interpretation of the Lanham Act followed by the Court of Appeals below.

Respondent argues at length in support of the rulings of the Court of Appeals below. At no point, however, does he deny that the interpretations which he champions are directly in conflict with those of the Court of Appeals for the Ninth Circuit. It is this conflict, together with the national importance of the questions involved, which require the granting of the petition. However strenuously respondent may urge one line of authority as against another, he only thereby emphasizes the conflict. As said in 66 *Harvard Law Review* 1094, cited by respondent, at page 1104, "The courts are divided on the existence of a federal right against unfair competition," and "large areas of uncertainty still remain" (page 1094). The author also notes that "The Supreme Court has not passed on any problems dealt with in the Wiley Bill or in this note; the only Lanham Act case, *Steele* v. *Bulova Watch Co.*, 344 U. S. 280 (1952), concerned the extra-territorial applicability of the Act." Thus this Court has not as yet interpreted the more controversial sections of the Act, although it has been urged to do so. See, for example, "The Sixth Year of Administration of the Lanham Trade Mark Act of 1946" (*Patent, Trade Mark and Copyright Weekly Reports*, Vol. 98, No. 8, quoted in Supplement to Petition) and "Trade Mark Infringement and Confusion of Source: Need for Supreme Court Action," (*Virginia Law Review*, Vol. 35, page 214).

POINT III.

Respondent has advanced a number of other contentions which do not bear upon the granting of the writ and which are in themselves unsound.

Petitioners do not propose to discuss at length contentions of respondent which do not bear upon the granting of the writ. However, the major assertions of respondent may be disposed of as follows:

The defenses: The lengthy exposition of the "unclean hands" defenses is inappropriate as an argument against the granting of the writ. All of the facts upon which such defenses are based were fully developed by petitioners' admissions, depositions and affidavits. At most, these defenses present an additional question of national importance constituting another reason for granting the writ.

Jurisdiction: Respondent argues both lack of federal jurisdiction and that a trial may render the jurisdictional question moot. In support of the lack of jurisdiction argument the Court of Appeals ruling is advanced. This, however, is obviously one of the rulings challenged in this proceeding; respondent may not "hoist himself by his bootstraps" and urge this as a reason for denying the petition. Illogical, too, is respondent's suggestion that the question of jurisdiction should await a trial of respondent's defenses. Jurisdiction is, of course, a first consideration.

The federal cause for unfair competition: Respondent urges (respondent's brief, page 19) that the presence on the statute books of 28 U. S. C. 1338 (b) negatives the contention that the Lanham Act creates a "federal cause" for unfair competition and that, had the Congress intended

to create such a cause by the Lanham Act, it would not have unnecessarily passed 1338(b). No such matter is raised in the petition nor in this case. However, if respondent's argument is intended to refer to the jurisdiction of the federal courts in unfair competition cases, it would apply equally to 28 U. S. C. 1338(a) in which Congress purported to grant jurisdiction to the federal courts over trade-mark cases. Obviously, if Congress had intended by the Lanham Act to grant such jurisdiction, said paragraph 1338(a) would be superfluous and meaningless. It can scarcely be argued that the Lanham Act and previous acts had not granted federal jurisdiction over trade-mark cases. The conclusion is thus inescapable that jurisdiction over both trade-mark cases and unfair competition cases was duplicated by passage of 28 U. S. C. 1338(a) and (b).*

The "palming-off" doctrine: Respondent contends (respondent's brief, pages 17 and 18) that the Lanham Act did not enlarge the concept of infringement beyond the "palming-off" doctrine or confusion of source test. Respondent, in effect, states that 15 U. S. C. 1114 (1) (b) merely repeats 15 U. S. C. 1114 (1) (a) except that (b) applies to counterfeiters or reproducers while section (a) applies to users. However, respondent's position is patently unsound since section (b) on its face creates new liabilities and grants new remedies not found in section (a). For example, any one who counterfeits labels which he intends to use in commerce may be enjoined although his infringement is merely threatened and even though he has no knowledge that his acts will cause confusion

* An explanation of this duplication is found in the legislative history of the two statutes. 28 U. S. C. 1338 was enacted June 25, 1948, but the House Judiciary Committee Report of April 25, 1947 accompanying the bill H. R. 3214 stated "This revision includes all applicable laws in effect March 10, 1947". However, the effective date of the Lanham Act was July 5, 1947 (15 U. S. C. 1051).

or mistake. However, if he has such knowledge, damages may be recovered. The question remains whether Congress intended to bring within the act any use of a trade-mark which confuses and deceives purchasers even though such confusion and deception does not relate to the origin of the goods. Respondent's contention that a trade-mark counterfeiter stands in a worse position than an unlicensed trade-mark user is illogical, merely goes to the merits of the question and illustrates the divergence of opinion which this Court is called upon to resolve. It in no way detracts from the force of petitioners' argument that certiorari should be granted.

POINT IV.

Petitioners have accurately presented the record to this Court.

Respondent attributes inaccuracies to the petitioners in the following respects:

Whether the Court of Appeals below passed upon the respondent's defenses: It is submitted that the words of the Court of Appeals speak for themselves: "* * * We do not now decide anything about the defenses * * *".

Whether respondent has admitted the use of the letters "AAA" enclosed within an oval to deceive motorists: That respondent has made such an admission is borne out by a reading of the record (181-183).

The position of respondent is based entirely on self-serving statements contained in his answer, affidavit and deposition which statements were rejected by the District Court.

Conclusion.

For all the reasons stated, both here and in the Petition, the petition for writ of certiorari should be granted.

Respectfully submitted,

LEO T. KISSAM,
Attorney for Petitioners.

Of Counsel:

LEO T. KISSAM,
ERIC NIGHTINGALE,
MARTIN M. BAXTER.